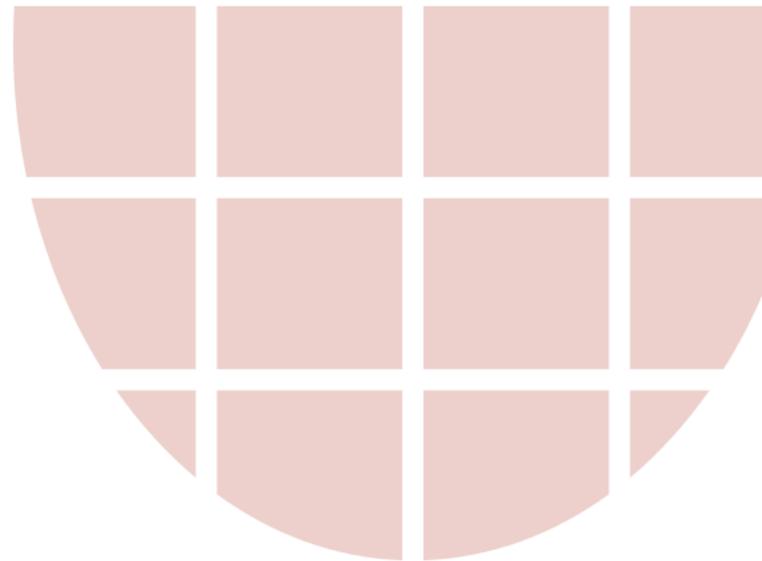**American Shipper**

Co-produced by

bpe GLOBAL

Global Trade Management Landscape – Strategies Beyond Compliance

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Executive Summary

Welcome to the second annual Global Trade Management Landscape Report: Strategies Beyond Compliance, coproduced by *American Shipper* and BPE Global. This in-depth analysis will explain the trends, challenges and complexities that are reshaping global trade now and in the future in order to help global trade management (GTM) experts articulate their challenges to management while also serving to educate GTM novices on the state of the market.

Ultimately the GTM practitioner's greatest challenge is bringing attention and credibility to the importance of their role. The following report will arm you - the global trade manager - with the intelligence needed to elevate GTM to a boardroom priority.

Redefining GTM

Last year's initial landscape report sought to highlight the idea that GTM is about more than compliance, and this year's report expands on that idea. Rather than thinking of compliance as merely having ties to supply chain finance and visibility, GTM practitioners should think of those three components as being on an equal footing—three pillars each supporting a comprehensive GTM program.

A broader, more complicated landscape

Underpinning this report's advocacy for a well-rounded GTM program are two facts: global supply chains are growing broader in geography and, thus, complexity; and countries are writing expansive trade regulations and enforcing those regulations with unprecedented vigor. The broadening of supply chains is now coming to regions, such as South America, the Middle East, and Africa, with high growth potential. But those regions are also less familiar to GTM practitioners from a compliance and visibility standpoint, making it more important to establish robust GTM processes to account for these unknowns.

Five facets

This report focuses on five areas of GTM that must be clear priorities going forward: visibility, supply chain finance, human resources, technology and processes, and compliance. Three of those facets are the pillars of GTM that we already described, while human resources and technology account for the people and systems than enable those pillars to be successfully integrated.

Visibility

Shippers have taken control of their own supply chains, sitting in the middle of dozens of supply chain partners. That control generates more information, but also requires more information management. And shippers largely lack the infrastructure to manage and analyze that data in real time.

Visibility in a GTM context has to mean more than track and trace on the transportation leg. It means following a shipment from order through final delivery, with all the itinerant compliance and finance milestones in between, and then being able to act on that information when roadblocks occur.

Finance

The two sets of financial transactions that underlie global trade—between the buyer and seller, and shipper and transportation and logistics service providers—are the crux of what GTM is about. Without those transactions, there is no trade. Yet finance is often left out of the GTM equation. This report argues that supply chain finance is an integral part of any GTM program, and that shippers should strive for visibility into their costs, not just transportation and compliance milestones.

More than anything, integrating finance into the GTM picture has the potential to make the letter of credit obsolete. Letters of credit have formed the basis of international trade finance for decades because of the physical and psychological distance between sellers and buyers. Now that distance has shrunk, so buyers know their suppliers to a great degree. And there are tools to manage the financing of goods movement that can make the letter of credit superfluous.

Human Resources

For all the importance of visibility, finance, and compliance, there is no GTM without qualified people. Shippers need to understand that recruitment, retention and education of their staff are a requisite first step to developing a top drawer GTM process. That need has only been exacerbated by a larger drive into new, uncharted markets.

The role of the GTM practitioner is growing harder day by day. Not only do they have stiffer challenges on the compliance front, they also face the task of understanding the financial and operational components of their supply chains, and how those pillars are integrated. And most come to their roles without any advanced degrees in compliance, much less the other facets of GTM with which they might not be familiar.

Companies need to invest in training and support tools that allow them to leverage productivity from their human resources.

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Technology and processes	Everybody in global trade wants more technology, but getting the right technology is the more important objective, as is preparing your organization for the systems you plan to implement.
	In the GTM context, technology adoption is about change management, about converting from a data management philosophy to a process management philosophy. Much of this depends on whether a company has experienced a hardship—such as a compliance violation or supply chain disruption—significant enough to compel them to look at their processes from bottom up to top down.
	IT can't just be about more easily collecting data, or automating a once manual process. It needs to empower GTM processes in a way that makes data collection and automation actionable.
Compliance	Yes, GTM is more than compliance. But compliance is still a critical link in the supply chain, one that is growing more complex by the day as supply chains expand into new geographies and new modes.
	Companies may have been slow to recognize the significance of compliance, but that is changing. The next evolution is to bring compliance decision-making into the very origin of a order—in effect before the order has been placed. That step not only aids compliance, but allows shippers a greater degree of visibility into their supply chain, which has knock-on benefits to the finance and operations sides.

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The following report will arm you—the global trade manager—with the intelligence needed to elevate GTM to a boardroom priority. Accordingly, we encourage you to give this report a thorough read and highlight the areas that apply to your organization. Leverage this report to make the case for a more sophisticated approach to GTM.

DEFINING GLOBAL TRADE MANAGEMENT (GTM)

Last year we defined global trade management as the orchestration of the three flows of commerce—the movement of goods, information and funds—across a potentially large number of stakeholders spanning wide geographic areas. For many, GTM is closely associated with trade compliance but that's only part of the story.

A holistic approach to GTM puts the three fundamental elements of supply chain management, supply chain finance, and regulatory compliance on equal footing; enabling companies engaged in global trade to more broadly manage their operations effectively, efficiently and compliantly.

FIGURE 1: True Global Trade Management

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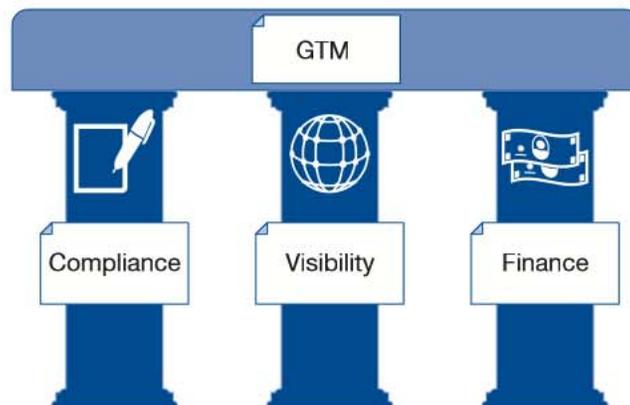
GLOBAL TRADE OVERVIEW

The rapid advance of globalization resumed in the wake of the "Great Recession" of 2008. According to the World Trade Organization, global trade grew nearly 14 percent in 2010, but that pace has slipped to the mid-to-low single digits in 2011 and 2012. Many of the most popular emerging markets—such as the "BRIC" (Brazil, Russia, India and China) nations—have matured to the point where the relentless growth rates seen over the last decade have slowed or even reversed.

Global companies looking for that next blockbuster market opportunity are entering regions that were not included in the initial waves of globalization, such as Colombia, Indonesia and Turkey. The pressure is on for global trade managers challenged to source from more origins and deliver to more destinations.

At the same time, regulatory agencies across the globe are writing increasingly demanding regulations governing trade, and enforcing these rules with unprecedented vigor. CFOs are looking for supply chain savings through established practices, such as reducing inventory levels and emerging practices around supply chain finance. All the while, disruptions—both natural and manmade—are occurring with more frequency and greater impact.

Additionally, a new report issued by the World Economic Forum examines supply chain barriers to international trade and concludes that they are far more significant impediments to trade than tariffs. This report supports the need for a holistic approach to global trade management.

Global trade practitioners are challenged to manage these competing forces, among other industry specific challenges like consolidation, changing demand patterns, and technological advances.

Using these high level dynamics as a backdrop, this report will explore the five challenges that are universal to global trade management practitioners today. These include:

- Gaining visibility beyond basic track-and-trace functionality.
- Leveraging available and emerging financial tools to create bottom-line benefits from GTM.
- Recruiting, educating and retaining the expertise necessary to run an effective GTM program.
- Balancing the process management and technology sides of the decision to modernize antiquated global trade management processes.
- Ensuring global compliance requirements are met with global compliance capabilities.

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SECTION I: INTRODUCTION

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We believe there are specific remedies to these challenges and offer them as a means to impart a large, positive impact on the companies that implement these solutions.

Section II: The Five Facets of GTM

1. VISIBILITY

Explanation of trend

Visibility can be a tricky concept to define, so let's be clear. This report defines visibility as the awareness of, and control over, specific information related to physical shipments, including events and milestones that occur prior to and in transit.

With that out of the way, it's vital to state that visibility plays an ever-more-important role in the GTM picture. GTM is really about linking trade partners efficiently, compliantly and profitably, and visibility is the vehicle to ensure that happens in a timely manner.

The first step to achieving true visibility is identifying data ownership within your supply chain network and the means to integration. Shippers need to meld disparate pieces of information into a cohesive decision-making process. While this report has in years past trumpeted the importance of looking at GTM from a holistic point of view, and that the pillars of compliance, visibility and finance are overlapping, the reality is they are still generally handled as separate functions. The other reality is that can only be collectively improved when handled in a collective way.

More than that, though, is that supply chain data is owned by different parties outside the enterprise. Before the data can be integrated (which is largely an internal issue for a shipper), it needs to be secured from a shipper's external partners. Add in the distance, both figurative and literal, between a shipper and its supply chain partners, and the complexities multiply.

It's also not a one-way street. Those partners will expect an exchange of information. And the information needs to be exchanged in a timely, accurate, and complete manner, and in a standardized format. It's a major challenge that only grows in complexity as supply chains get bigger.

Enter visibility, which is more than just traditional shipment track-and-trace technology. Supply chain visibility gives a shipper and all its partners a common view into their supply chain at any point in the chain, upstream and downstream. A simultaneous view into the compliance

FIGURE 2: Visibility Beyond Track and Trace

- Increase Velocity
- Reduce Inventory
- Reduce Transportation Costs
- Reduce Carbon Emissions

Upstream

Visibility

Downstream

- Manage Disruptions
- Capitalize on Opportunity
- Plan Logistics at Destination

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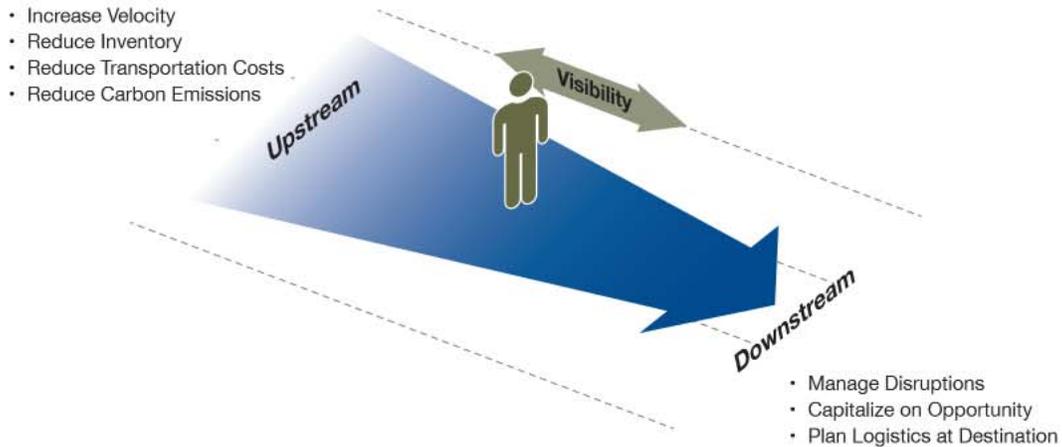
process associated with a shipment, the financing of the transaction (both to the seller of the goods, the carrier of the goods, and any LSP associated with the shipment), key commercial documents, line item data like actual landed costs, and the actual physical location of that shipment. And down to the bar code level, if so desired.

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This is the ambition, and shippers see the value of this true visibility, but it's difficult for them to tackle it alone. Most shippers don't have the wherewithal, or desire, to develop a visibility platform themselves. Some even lack the stomach to inculcate the system of a third party vendor into their supply chain processes.

Cause

But there is a critical development today that necessitates shippers ruthlessly hunt down that visibility. The development is this: the large shipper of today has essentially replaced the 3PL at the hub of its supply chain. Decades ago, visibility for a shipper meant asking its 3PL for a status update, and that was a good as visibility got.

FIGURE 3: The Supply Chain Universe — Circa 1980

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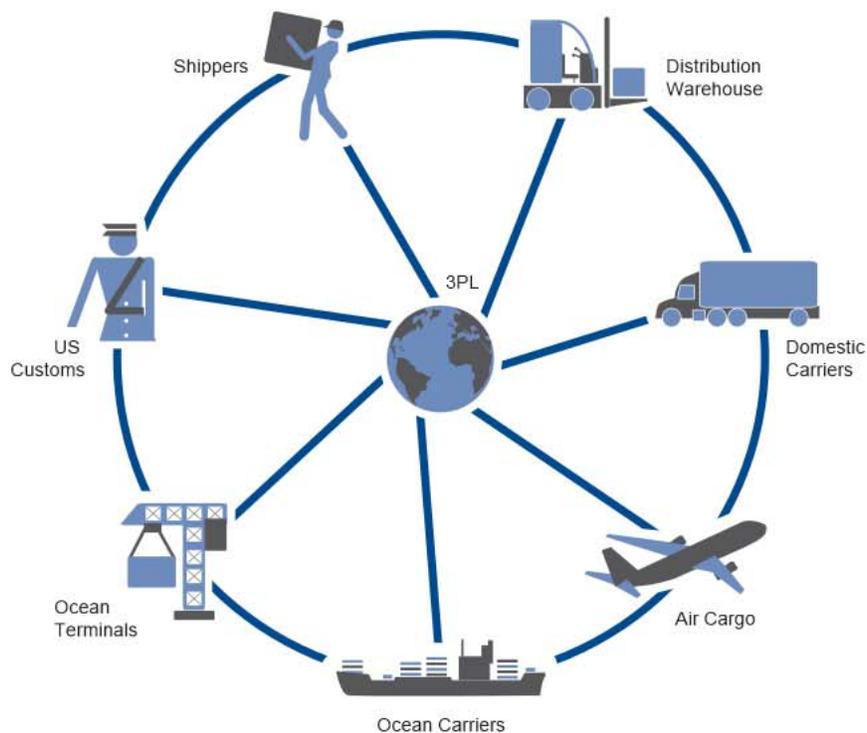
Now the mega-shipper sits at the heart of its own supply chain, exchanging information from a host of contact points. There's infinitely more information, which is great, but also more information management to undertake, which can be problematic. Where once there was one point of information contact for the shipper, now there are potentially dozens. These contact points include multiple modes of transportation that often have their own standards, practices, terminology, and more. The shipper has taken on the challenge of melding all these disparate sources of data together into one set of actionable information.

FIGURE 4: The Supply Chain Universe—Today

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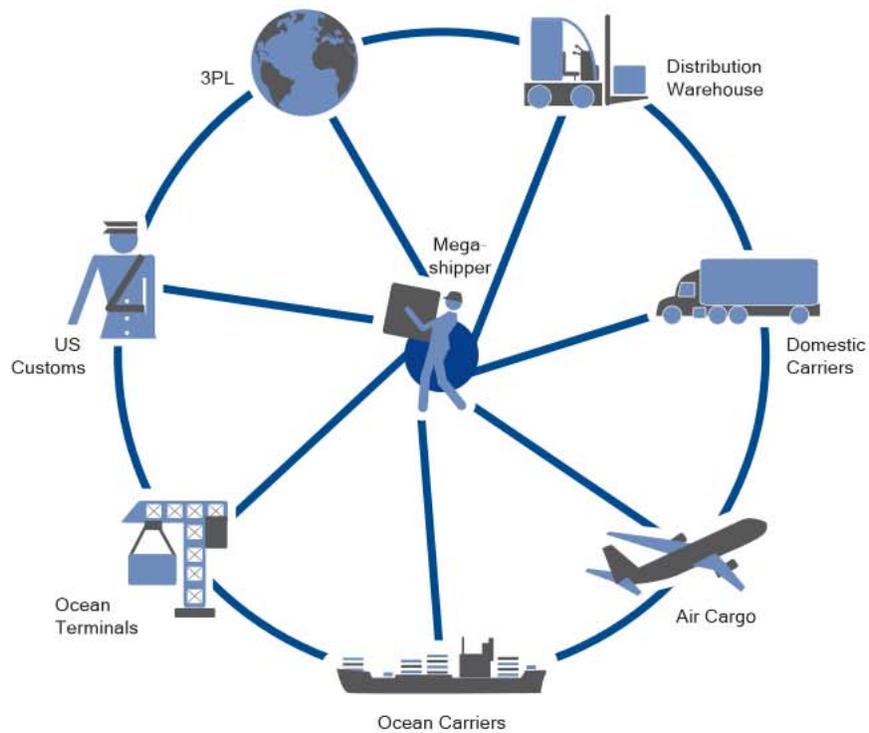
Accordingly, shippers are seeking to take more control of their supply chain and visibility is the key. In particular, importers want visibility into the unknown origins of their shipments, where foreign suppliers, LSPs, and carriers have some level of control over their goods.

The bad news is most shippers don't have the infrastructure to do it. A shipper needs real time access to the compliance, finance, and transportation components of its supply chain, and the best case scenario would be if that access came through a single window. Failing that, separate systems that integrate seamlessly would be the next best option. Essentially, what this report is arguing for is that visibility must extend beyond track and trace of the transportation milestones if it is to take its rightful place at the GTM table.

Example

A global manufacturer finds that once it pushes visibility upstream into the order creation phase, it has positive knock-on effects down the rest of its supply chain in terms of managing trade compliance and reducing logistics costs. Having a view into the order creation process, in effect before the goods have even been finished much less before they've become freight, allows the manufacturer to better optimize its freight movement by mode and route. It allows the manufacturer to pay its suppliers and vendors in a timeframe that's more suitable to all parties because then the process runs more smoothly top to bottom.

And if there is a hiccup—say a problem with customs documentation at the origin port or a logistics disruption while the cargo is in transit—there's visibility into that problem and the effect it will have on the logistics and payment aspects of that shipment. These logistics optimization benefits should not be overlooked. A global manufacturer with a distributed network uses this upstream visibility to respond to an uptick in demand when it has an unfettered view from the order creation process on down.

In fact, this manufacturer has brought compliance into the picture right from the start of the sales process, an advantageous move even if that manufacturer has a relatively simple supply chain—i.e. one origin and one destination. But it's even more effective to a shipper with a convoluted set of origins and destinations. The more complex the supply chain, the greater the GTM gains through enhanced visibility.

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SECTION II: THE FIVE FACETS OF GTM

Remedy

There's a simple remedy to this problem. Shippers need to integrate their supply chain partners into their network and commit to exchanging accurate, timely, and standardized information with them. The only way real-time visibility is possible, all the way through the compliance and finance functions of a shipment, is when all parties are working from the same set of information.

The mega-shipper has the gravity to make this happen, to compel its network of partners to play according to its rules. Those shippers lacking such clout could turn to large and progressive logistics services providers who have the mixture of IT systems and managed services to effect that same result.

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SECTION II: THE FIVE FACETS OF GTM

2. FINANCE

Explanation of trend

Global trade without payment is like a hamburger with no patty. A transportation or compliance manager who doesn't think about the financial implications of their supply chain is ignoring the principle reason for their existence. Without prompt payment, large buyers have the potential to bury their comparatively smaller suppliers, a process that weakens their supply chains rather than strengthens them.

So it's somewhat surprising that trade finance has been neglected in terms of the traditional idea of GTM. As important as making sure the goods moving across oceans are compliant is ensuring that the seller of the goods, and the companies that physically move the freight (not to mention LSPs), get paid accurately and on time.

There are some hurdles to overcome. First, the fact that there are essentially two sets of transactions associated with each shipment complicates the picture. There is the buyer-seller set of transactions, and shipper-carrier/LSP set. Another is that supply chain finance is often seen as coming under the auspices of a shipper's finance division, whereas compliance and logistics functions are not. In other words, vendor payment is likely to be a CFO issue, whereas compliance and logistics are COO issues.

There is also the basic fact that the larger party in a transaction will want to maintain financial leverage. A large retailer generally has leverage over the payment terms with its smaller suppliers. A large carrier generally has similar leverage over a small, infrequent shipper. Everyone wants to hold on to their money for as long as possible, or get paid as quickly as possible, and generally the larger player has more leverage to do that.

FIGURE 5: Stretching the dollar

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Finally, there's the increasingly archaic concept of the letter of credit as it relates to supply chain. For years, a letter of credit has been the de facto method for ensuring that a buyer of goods or services will actually pay the seller or provider of services. That made sense. In a trading environment where a buyer knew little about its far-flung supplier, having the security of a bank-backed letter of credit provided peace of mind. But it was never the most efficient way for payment to be cycled through the supply chain.

In a streamlined, connected, automated supply chain, the notion of depending on letters of credit seems outdated. Large consignees now know their suppliers very well. Supply chain security programs, if not just general best practices, mandate that relationship. And some retailers are more conscious than ever of ensuring their suppliers don't go hungry. So the risk of the transaction has been minimized, and depending on a letter of credit is wasteful. Alternatively, by connecting the supplier and consignee of the goods, and the buyer and seller of transportation services, on a single platform, the letter of credit can be virtually done away with. In essence, real visibility erodes the very value of the letter of credit.

Cause

The reason trade finance has traditionally sat outside the boundaries of GTM is partially because it is considered the domain of the finance department. For most shippers, the finance department is not directly tasked with supply chain responsibility, and vice versa. So it's almost natural that a gap would come about, even as the importance of sharing data across enterprises has increased.

There are emerging tools to link finance, compliance, logistics operations, and procurement, but it is certainly not the norm for these departments to act in lockstep. And a large part of this is a continued reliance on letters of credit to facilitate transactions. A letter of credit not only depends on a third party institution (a bank) that ostensibly has no other positive impact on the flow of a supply chain, it also requires a lot of information. Any information inaccuracy, especially as that information passes through the hands of multiple parties, has the potential to cripple a supply chain.

Example

Next generation GTM looks like this: A U.S. shipper uses signals generated on the factory floor abroad to feed into its finance side. Those signals enable the buyer to make decisions: for instance, the goods are ready, so they can be shipped early. The same factory floor data is fed to the freight forwarder, where that forwarder can then process the documents needed to complete the U.S.' Importer Security Filing (ISF) requirement.

That original purchase order is being augmented and followed along the supply chain, with nothing being re-entered. Once the logistics services provider has the augmented documentation in place, it can ship the goods, and send milestone signals back to the buyer. The vendor that delivered the goods is also generating an invoice to go back to the buyer. With all that information, the duty fees can be calculated, giving a true landed cost.

It's the accuracy—starting with purchase order with a list of the actual items to be shipped—that feeds into accurate and visible invoices and customs filings. One set of information for everyone to access and work from—it allows finance to be the enabler of a more efficient supply chain.

And that leads to cost savings. Tying these processes together in a unified, automated format eliminates the need for a letter of credit and allows vendors to be paid earlier with less impact on the buyer. As a further example, Walmart engaged in the financing of its suppliers to aid their viability. At some point, a shipper realizes it gains more by collaborating financially with its trading partners than by beating up those partners.

Remedy

Trade finance, at its core, means that suppliers get paid in a timely and accurate manner, and the way to ensure this happens on a consistent basis is to link the process from the order all the way to final delivery of the goods. As one executive put it, GTM should be the tie that binds departments which don't talk to one another. In fact, trade finance should be less of a CFO issue and more of a CIO issue, united under one roof with automated compliance and transportation visibility.

This should eventually lead to the replacement of letters of credit with a platform for the resolution of payments which all parties (suppliers, vendors, and shippers) can participate. This invariably makes the process more efficient, which translates into fewer employees needed to manage trade finance. It also provides potentially greater savings from the overarching visibility gained. When eliminating letters of credit translates into an automated payment process, it signals that a shipper has a good handle on supply chain visibility.

To reiterate the importance of focusing on trade finance, a shipper can excel in the areas of compliance and visibility, but if their processes don't allow their suppliers to prosper at the same time (i.e. get paid accurately and on time), the collaborative process breaks down.

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SECTION II: THE FIVE FACETS OF GTM

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3. HUMAN RESOURCES

Explanation of trend

Despite the proliferance of technology in global trade, there is and always will be a need for qualified people. Indeed, the bar has been raised, as GTM professionals now need competence in a range of activities far beyond what their predecessors had ever been tasked with.

First of all, the challenge of increased compliance requirements creates a significant demand for experienced global trade compliance resources, and for management teams who understand the positive implications of global trade compliance. It's not as simple as understanding the compliance regulations of the country in which a company is headquartered—companies must understand the compliance requirements in every country they operate.

The GTM human resources challenge stretches beyond compliance, though. Companies need employees with practical experience in ever-more complex IT systems, as well as a basic understanding of how compliance functions affect the supply chain as a whole. It may be enough for entry-level compliance practitioners to only understand the nuts and bolts of their day-to-day tasks, but those higher up the chain need to consider the way compliance can enhance or detract from a company's GTM program.

The reality is that as the industry hungers for more qualified professionals, the supply of such individuals is not there. Global trade is a growing field, in volume, geography, and complexity, and despite the role IT plays in empowering employees to do more with less, GTM departments need a pipeline of talent.

Cause

A primary reason for the relative dearth of qualified talent is that there is no formal education for global trade compliance. It is not taught in universities. It is typically a learned vocation, where compliance professions painstakingly gain expertise by working directly with the compliance regimes in each country that their companies operate. It's also learned through trial and error. What's more, the majority of global trade professionals with extensive experience are either nearing retirement or are largely experienced in one country or region.

GTM departments need a pipeline of qualified talent.

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In addition, the functions that this report promotes as being part of the GTM process alongside compliance (visibility and finance) often lie outside the comfort zone of the average compliance professional.

In short, as GTM automation brings more transparency to the supply chain process, global trade professionals are expected to know even more. Yet there is little systematic early education with regard to GTM, and even less of a systematic process to bring professionals up to speed on the new demands of an expanded GTM role.

Example

The economic downturn five years ago and subsequent rebound of trade placed some global trade professionals in unusual positions. As staffs were cut, those who remained were often pressed into roles for which they had little experience. Take, for example, a longtime domestic transportation manager who is now tasked with international transportation. The complexities of the international side of transportation management expose that person to GTM challenges he never had to face on the domestic side. International transportation managers have to contend not only with a new basket of carriers in an unfamiliar transportation mode, but also with the regulations that are inherent in cross-border trade.

Customs compliance is simply not a factor that would hamper a domestic supply chain, but it certainly does on the international side. If that person now has inbound responsibilities, there are delays to worry about. If the person has outbound responsibilities, there could be penalties to worry about.

There are even differences in terms of visibility, where a new set of carriers and new modes bring with them new ecosystems of partners with which to link and exchange information.

In short, tasking someone with international responsibilities is not a game of musical chairs. It's a human resources challenge that needs to be met with planning and training to ensure the person is up to the task of managing GTM, and that their inexperience doesn't expose the company to supply chain delays or penalties.

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Remedy

Simply put, meeting the GTM human resources challenge requires investment. It takes providing existing staff with ongoing training on the regulations they could face in every country a shipper operates. And that's difficult, because there isn't a single source for this type of information. It takes a mixture training and experience.

Depending on the complexity of its supply chain, a shipper might also need to provide decision support tools and the means to automate communications of that information at the transaction level. By providing a system to review the vast amount of regulations that exist globally, employees have tools to make an educated decision, a means to store the information for reuse, and a way to communicate the information to all supply chain partners.

But as this report advocates, it's not only about compliance. Training is needed to empower global trade management staff to embrace broader roles, including those that touch transportation, logistics, and finance. The idea is that a GTM practitioner is not only a compliance practitioner, but a true hub of supply chain expertise.

4. THE PROCESS/TECHNOLOGY BALANCE

Explanation of trend

"We need more technology." It's a familiar-sounding refrain from any shipper, especially as companies become more enamored with the idea of cloud-based applications that offer robust solutions on a pay-as-you-go basis. It's no different in the world of GTM. Technology enables a level of efficiency with regard to compliance, visibility, and finance that was frankly never possible before.

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But there are a couple of nuances that underlie the drive for more technology in the GTM space. First is that "more technology" ought not to mean "more systems." It should mean leveraging more from existing systems, or searching for new systems that can handle multiple functions within a GTM program. This is an evolution that companies naturally strive for, but it's often easier said than done as those companies deal with legacy systems, or on-premise platforms for which a hefty investment was laid down. New solutions emerge daily, and it's a constant struggle for shippers to decide how those solutions compare to their existing ones, or ones they may be considering.

FIGURE 6: Technology's Role in GTM

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	Order Management	Freight planning and Tendering	Freight Execution and Monitoring	Freight Settlement	
Shipper	. Receive / create transportation and trade compliance requirements – From sales, purchasing, deliveries	. Plan & optimize freight transportation – Load, mode, schedule, route . Select carrier(s) –Price, service, lane, . Tender freight & assign carrier(s)	. Send / le transportation and trade compliance documents . Transport freight . Track & manage transportation milestones & events	. Calculate transportation charges . Pay subcontractors / carriers . Invoice customer(s)	Customer

Forwarder/Broker/3PL

Carriers

SECTION II: THE FIVE FACETS OF GTM

The second nuance is even more important from a GTM perspective. How much of this drive to build IT capabilities is about process management and how much is about data management? It's a critical question.

Another dynamic to consider: countries around the world are automating their customs operations and thus have a heightened ability to scrutinize and target imports and exports. Yet, investment in GTM systems generally gets less priority than investments in enterprise-wide systems like an ERP. In other words, a shipper's GTM IT capabilities tend to lag behind its broader capabilities, even as those systems become more necessary in a more automated trade environment.

Lastly, there's the crucial aspect of IT integration. As the scope of GTM spreads beyond merely compliance, it highlights the general lack of communication and cohesion between platforms and between departments. It's rare to find a global shipper whose GTM system is fully integrated.

Cause

The data management versus process management split is creating a gap between companies that are using technology to achieve a higher level of GTM and those that are focused on pushing data through systems to track milestones. The latter is just an automated version of manual or spreadsheet-based GTM. It's not leveraging the power of that automation to tell a shipper things about its supply chain it didn't know.

The reason for this split comes down to behavior and experience.

In general, companies that train their IT focus on data management have likely either evaded any serious compliance penalties or trade finance missteps. They haven't experienced a supply chain disaster significant enough to compel them to want to use IT to improve processes rather than just manage data. Or they find it hard to envision a scenario where the benefits of such visibility to compliance, transportation, and finance justify the investment in integrating these processes.

Conversely, companies that do focus their IT resources on process management have likely been through the travails of a compliance investigation, or seen their supply chain severely disrupted by a compliance issue. In short, it often takes a bad experience to transform a company's perspective on GTM to focus on the process rather than just the data.

This transformation really falls under the category of change management, where a company needs to condition its personnel to put the entire GTM picture together, rather than treating each function as a separate process in an assembly line.

Investment in GTM systems generally gets less priority than investments in enterprise-wide systems like an ERP.

Example

Someone in a shipper's finance department is confused. Why is the system they use not integrated at all with the systems of that shipper's compliance department, procurement team, and transportation manager? Why are each of these functions treated as separate and unrelated entities?

At the same time, a compliance manager at the same shipper looks at his overworked staff and wonders why that company invests in a warehousing management system, and a TMS, and a new ERP, but doesn't invest in a GTM platform that connects with those systems. Why must his staff essentially take the automated work done by their compliance platform and manually pass that information on to other departments that, by all rights, should have a view into compliance in case it affects the payment or transportation related to that shipment?

So the finance manager and the compliance manager have a conversation with their counterparts about integrating technologies across departments. Except there's resistance to change in some of the other departments. The transportation manager has only ever cared that her shipments cleared customs at origin, and only wants an email if there's been a problem. The IT manager is juggling the implementation of a new ERP and doesn't have time to integrate various GTM platforms, nor does he want an outside systems integrator stepping on his turf. What's more, while the finance and compliance managers see the value in everyone being on the same page, the compliance staff doesn't see the value in knowing what's going on with the financing side or transportation side of the shipments they're clearing. They already have enough to do without tracking that payments have been made accurately, and that vessels are on time.

At this point, the broader challenge is not the physical integration of disparate systems and departments linked by GTM, but the intangible integration of personnel accustomed to handling their piece and passing it along.

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Remedy

Automating trade compliance is merely the first step in the GTM process. Yes, it's important to ensure that a company's risk is mitigated in this area, but that investment should be a launching point to broader GTM investment. A GTM platform needs to take the bare bones of compliance and link that back to the procurement, transportation, logistics, and finance functions through systems that are truly integrated.

At that point, the shipper's IT is enabling process management, not just data management. But don't underestimate the pain of system integration and of change management. Transforming a GTM culture from one governed by silos to one governed by holistic thinking is not easy. But it is necessary.

5. COMPLIANCE

Explanation of trend

GTM is not compliance, and compliance is not GTM. If there's nothing else to be learned from this report, it's that GTM is much more than compliance. But that shouldn't diminish compliance's ever-important role within a best-in-class GTM program. It's fair to consider compliance the backbone of GTM, enabling as it does the smooth transition of goods from origin to destination.

Shippers have long faced compliance regulations based on customs or border security mandates around the world, but the scope of these requirements is expanding. And there's a couple clear reasons: an expansion of laws both home and abroad, and increased visibility into companies' supply chains that's placing a greater emphasis on compliance.

This makes sense—the more visibility between a shipper and its vendors and service providers, the more shared information is produced. That's good. Alternatively, this visibility highlights situations when shippers are providing or gathering incomplete or inadequate information.

Either way, heightened visibility is forcing companies to expand their knowledge of local customs regimes. Compliance can no longer be the black hole, gradually sucking away at the efficiencies of other aspects of the supply chain, like transportation or finance. Compliance needs to be addressed from the very inception of an order. And, bear in mind, there are positive knock-on effects to that approach.

The reality is that many companies routinely experience customs clearance delays when they ship across borders. Most of these are due to lack of standardized procedures and poor infrastructure at both the shipper and destination. Controls that were once established to protect an economy's goods and services are now barriers to companies operating globally. And now, with more information coming directly to shippers, companies are confronted with providing data and information that they were not previously expected to produce. Companies experience similar risks for their exports. They fail to understand the requirements or financial structure of their customers at destination and inadvertently cause delays, incur increased costs and frustration for what should be standard transactions.

Cause

As highlighted elsewhere in this report, the evolution of the mega-shipper, in terms of taking greater control of its supply chain, has myriad effects, and that impacts compliance too. In decades past, a shipper might have allowed its 3PL to comprehensively handle its foreign compliance requirements. Information about a customs delay would have been relayed to the 3PL, with that 3PL using its local resources to resolve the problem without even informing the shipper. As a result, that shipper might have never even known it had a compliance issue, and would certainly have had no way to ensure the resolution was actually compliant or accurate. With little or no visibility to the issue at all, the shipper could not implement preemptory strategies to keep the problem from arising in the future.


Sophisticated shippers have a growing appetite to gain visibility into the constituent processes within their supply chain.

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Sophisticated shippers no longer cede such total control of their supply chains. Instead they have a growing appetite to gain visibility into the constituent processes within their supply chains—not just transportation milestones, but the finance and compliance ones as well. Shippers now expect to know when a shipment is delayed due to a customs irregularity, not only because they can then account for a late shipment, but more importantly so they can shift gears through their contingency plans.

FIGURE 7: Compliance as Collaboration Enabler
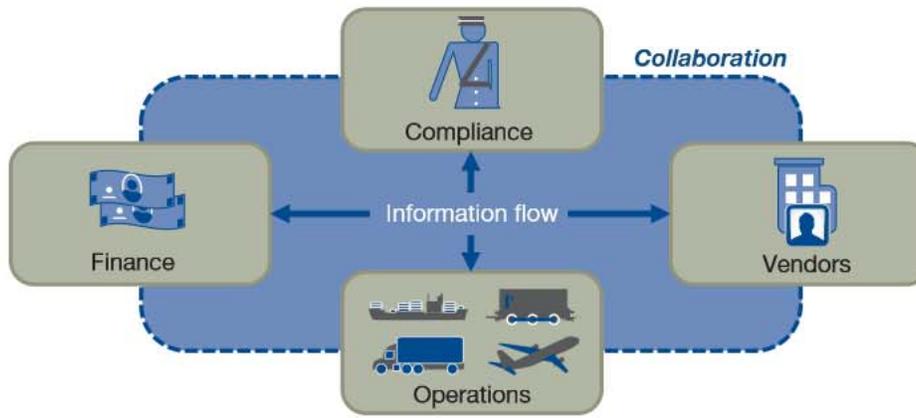
A customs delay at a foreign port does not exist in a vacuum—it immediately impacts the logistics and finance components of a ship-ment. When compliance's impact on the other pieces of a supply chain are understood, it's then almost impossible to section off compliance from the rest of the supply chain. It's also then impossible to consider GTM a compliance process alone.

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Example

A multi-billion dollar company sends finished product into a country where they have a reseller. The shipper accidentally lists their own company and not the reseller as the recipient of the goods. Because the shipper does not have a legal entity in the country of destination, facilitation of the clearance of the products takes almost 90 days and the shipper is required to pay both duties and value added tax (VAT) in excess of 300,000 euros and the shipper has no ability to reclaim VAT.

This all happens due to a general lack of understanding of the global trade compliance requirements on the part of the shipper. This specific example resulted in the shipper establishing invoice standards that are designed to optimize the financial model in each market in which they operate. As a result, the shipper has realized lower inventory carrying costs and fewer delays, which has positive benefits to the financing and transportation cost aspects of its supply chain.

Remedy

The solution is to design a supply chain model that includes global trade strategies ensuring accurate declarations, reduced cycle times and reduced costs. This is not as simple as it may sound.

But approaching the compliance requirements of a shipment early, and with seriousness and preparation, allows a shipper to clear the GTM hurdles that can turn into major roadblocks, and potentially serious penalties. More than that, a next-level compliance program will link seamlessly with a company's procurement, transportation, and payment processes, so that one aspect doesn't adversely impinge on another.

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Section III: RFP Advisory Guide

INTRODUCTION

Selecting a GTM solution for a business is a daunting process. The breadth of providers available makes it difficult for companies to know if they are choosing a solution that is not only robust, but more importantly, the right one for their particular business. Planning and preparation are a must, of course. This report advocates that companies focus heavily on the human resources and process elements of a GTM program, and it's essential that a company identify its needs internally before shopping in a confusing marketplace.

But putting together a successful request for proposal (RFP) is really key. It's often said that what you get out of something depends on what you put into it. In this case, the input (what goes into the RFP) will have a direct effect on the success of the output (choosing the right vendor). It should be noted: this guide does not aspire to be a fixed RPF template for readers of this study. There are too many differences and nuances between shippers for a one-size-fits-all template. It's clear that the compliance profile of a small shipper with exposure to only one or two countries will be drastically different than that of a multinational shipper with hundreds of cross-border supply chains.

So this guide is meant to get companies thinking about the types of questions they might ask prospective GTM solution vendors. Its purpose is to stimulate, to get companies thinking about what they might want out of a relationship with a GTM provider.

THE BASICS

First, some basics: before sending an RFP to a vendor, make sure to get a mutual non-disclosure agreement (NDA) in place that covers the RFP. And don't forget to include a clause that the respondents must notify you in advance when they discuss your RFP with any third party partners that they may have.

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Next, the key elements of an RFP are:

- **An introduction.** This is an opportunity to set the tone of the RFP response. You must clearly communicate your corporate objectives for implementing a GTM solution and should be very specific in explaining what you expect to get from implementing a GTM solution. This will help vendors develop a targeted response to your RFP. If they don't, it's a great way to filter out the solutions that won't fit.

- **General company information.** Take the time to provide a corporate overview from a global trade perspective. Describe the countries in which you operate (importer and/or exporter of record), the controls on your products, and the types of entities with which you do business. Include a listing of the jurisdictions and regimes to which you are subject. List specific certifications and licenses that your products require (e.g. hazmat, phytosanitary, certificates of origin, export licenses, etc.). And list all of the systems that you intend to integrate to. This will help the vendors create an appropriate demonstration. Take the time to truly let your vendor know who you are and your business challenges. List your supply chain partners, including brokers, freight forwarders, carriers and banks. Also, take the time to clearly state whether you expect the respondents to be responsible for all expenses related to the submittal and preparation of the RFP response, including site visits.

- **Clear instructions on how to respond to the RFP.** Be very clear about who the RFP point of contact is and, if appropriate, expressly state whether contacting other colleagues is allowed or not. Include a detailed and realistic timeline for all vendors to follow. Require a response from your targeted vendors to return an intent to bid in short order (no more than a week). But then provide enough time for the vendors to produce a thoughtful and complete RFP response. It is highly recommended that you provide a question and answer period. Allow time for the vendors to compile meaningful questions and take the time to thoroughly respond to all questions and share both the questions and answers with every vendor.

Describe the countries in which you operate, and the jurisdictions and regimes to which you are subject.

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- **A listing of any mandatory requirements.** This should include a comprehensive list of your "must-have" features and functions.

- **Require your vendor to provide a comprehensive overview of their company.** This should include general information about their company, such as their executive staff, years in business and legal structure. Ask for a 10-year history of ownership. Ask for a list of relevant awards and accreditations. Get a business user-oriented (non-technical) description of the vendor's solution. Ask for a product roadmap and an overview of their release schedule and strategies for bug fixes, large and medium-sized releases. Ask for a declaration of any known or potential conflicts. Most GTM vendors are privately owned and the public companies can bury their GTM revenue under broader perspectives, so don't bother asking for revenue. However, you should ask the vendors what percentage of revenue of their total sales for GTM actually represents. Ask the vendors to provide an overview of their clients by giving a total number of customers, users and countries in which they operate. Ask for references from your specific industry and/or for the features and functions that you have identified as "must-haves."

Important note: It is critical that you take the time to clearly define your business requirements prior to embarking on a GTM RFP. Without clear definition of what your business requires, you run the risk of selecting a solution that does not provide the return on investment that you have intended or fails to meet your corporate requirements.

- **Clarifying content on specific processes that you intend to facilitate.** Be very specific on what content requirements you have. Often a system's functionality depends on the content that is available. Poor content will result in poor functionality. And the converse happens where content-rich solutions provide functionality that may not be appropriate to your company's specific requirements.

- **High-level functional and domain-specific requirements.** You should devote the majority of your RFP to a listing of all of your feature/function requirements, prioritized by "must-haves" to "nice-to-haves." It is recommended that a table of the specific features and functions that you require be included, asking the respondents to provide a key identifying if their response refers to:

  1. OB: Out of the box functionality.

  2. CF: Functionality that requires system configuration.

  3. CU: Functionality that requires custom code.

  4. NA: Functionality that is not available.

  5. TP: Functionality that is met by a third party.

- **Configuration requirements.** Understand whether you will be required to invest in customization of the vendor's product or if you can configure the solution on your own. Reflect on your company and its culture. Is configuration something that your staff can accomplish or will that complicate or put your business at risk?

- **The high-level elements are:**
  - A section on high-level functional and domain-specific =requirements.
  - Clarifying content on specific processes that you intend to facilitate.
  - Vendor specific inquiries that test viability, product vision, track record, pricing model, delivery methods and clientele.
  - Clarify any technology requirements that you may have and IT philosophies that your company operates under.
  - Include a detailed section on functional requirements.
  - An entire section should be devoted to information on costs.

SUGGESTED QUERIES

The following questions are meant to shape the way a company measures a prospective vendor's capabilities. The list is long, but not exhaustive. Nor should anyone company consider all questions applicable to their situation.

Inventory visibility:

- What visibility does the tool have to inventory in the pipeline (upstream, currently on-hand, downstream)?
- Does the tool have the ability to see goods on hand at all facilities at any given time?
- Does the tool provide visibility to inventory, linking with a WMS?
- Does the system have the capability to provide real-time track-and-trace visibility?
- Does the solution generate exceptions and alerts when goods-in-transit do not meet expected transit milestones/statuses/events? And how does it generate those exceptions?
- Does the system adapt to changes within the inventory flow, like if a node is added or removed from the supply chain?
- Can the system provide a clear picture of exactly which units and orders are booked, received, loaded, shipped, arrived, customs cleared, dispatched, and delivered?

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Document visibility:

- What document management technology is used? Does it consume application space or require a separate storage repository?
- What is your best practice for document management, handling, and distribution from origin to use?
- Can your tool load scanned documents or images for orders, items, shipments, or containers?
- Does your tool have the ability to create notes/marks on PO and PO at an item level for special handling, or instructions?
- How does your company monitor and ensure compliance and timeliness of required documentation by vendors?
- Does it have functionality to store, view, and distribute both trade and logistics-related documents in a central location and via a drill-down link within a PO, B/L, etc?
- Does the system require manual user intervention to populate a document?
- Are documents mapped to standard supply chain events and messages?
- Can suppliers create commercial documents without knowing full transportation details like vessel, voyage, container number, etc?
- Can suppliers create commercial documents regardless of which 3PL or 3PL system is involved?
- Does the system provide the ability to edit documents online?
- Does the system validate document data against resident supply chain data?
- Does the system audit changes made by the user, noting the user, field-level change, and time stamp?
- Does the system allow users to search for a unique document, or a set of documents?

Shipment visibility:

- Does the tool have the ability to attach various documents to orders/shipments?
- Does it have the ability to produce and attach necessary documentation?
- Does it have document imaging capability?
- Describe the process flow of the application—does it have the ability to print and forward hard copies of requested documents for customs clearance?

Does the system provide the ability to edit documents online?

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Compliance capability:

- Describe in detail the capabilities of the proposed solution to manage export, import and shipping documentation.
- Does it include a workflow description and details of workflow management or configuration?
- Does it manage post-entry auditing?
- NAFTA management and other free trade agreements?

Document receipt:

- Does the proposed solution provide capability to enter the document type and date received on an individual document basis?
- Does the proposed solution have the ability to indicate the document received date and have it apply to all documents based on the client profile of required documents?
- Does the proposed solution have the ability to identify documents required in a client profile?
- Does the proposed solution have the capability to send out a delayed document notice (DDN) to the vendor when they haven't submitted documents within the allowed time frame?
- Does the proposed solution have the capability to send a DDN to multiple email recipients?
- Does the proposed solution have the ability to create a shipment milestone event when the DDN is sent?
- Does the proposed solution provide templates for vendor documents?

Documents sent:

- Does the proposed solution have the ability to indicate the date the document packet was sent?
- Does the proposed solution have the ability to indicate the method of sending a document packet?
- Does the proposed solution have the ability to indicate the tracking numbers for a document packet?

Document creation:

- Does the proposed solution provide the ability to generate a commercial invoice based on information contained in the system?
- Does the proposed solution provide the ability to generate a packing list based on information contained in the system?

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Booking:

- Describe capabilities to manage documentation accuracy, completeness, and timeliness of delivery.

- Advise on what documents to collect from vendors for different origins, including shippers.

- Advise on when to collect documents and alert capabilities. Include country-specific document requirements.

Landed Cost:

- Does your tool have the ability to see the actual costs accrued against the product that are linked directly to shipment of goods?

- Does your tool have the ability to break down the shipment cost, per unit, per weight, or per measure?

- What kinds of integration are required to power this cost tracking?

- Does the system track cost exceptions or deviations from target costs?

- What elements do you consider in landed costs?

- How do you track or provide visibility to landed costs?

- Does capability exist to estimate costs of future shipments (modeling)?

- Does capability exist to report actual premium freight costs incurred?

Purchase to Pay:

- Can the supplier create commercial documents (commercial invoice, packing list, etc.) for both LCL (less-than-containerload) and FCL (full-containerload) shipments?

- How have you used innovations in supply chain finance to improve your clients' processes and reduce their costs?

- Can orders be sent to suppliers via the system? Are there any other parties that can also receive the same order (e.g., a bank for letter of credit requirements or a 3PL acting as an origin consolidator)?

- Does the tool have the ability to provide a status control for credit?

- Can it report on the financial impacts of supply chain delays?

Supplier Collaboration:

- Please describe how you manage connectivity to carriers/suppliers. How do you prepare, test, and certify interfaces with them?

- How many vendors would a customer be able to support using this solution?

- Please describe your vendor enablement (i.e., technology, training, troubleshooting, monitoring, etc) for:
  1. Vendors without ASN capability.
  2. Vendors without a current solution to apply carton labels.

- Define PO Distribution, VMI, and additional order management capabilities.

- Describe complete capabilities for order management, including PO distribution and management.

- Describe how your solution provides "push" and "pull" access to data for merchandise vendors and customers.

- Can the supplier override data elements from the PO when creating the commercial invoice and packing list?

- What capabilities exist for carriers/suppliers that are not electronically capable?

- Can multiple third parties (e.g., supplier, bank, agent, 3PL) update the same PO with different milestones?

- Does the system facilitate communication between the supplier and 3PL?

- Does the system track when information or documents are submitted to the 3PL and whether the 3PL received them?

- Can the system control which users can create requests and, in turn, distribute them to external partners or not?

Describe how your solution provides "push" and "pull" access to data for merchandise vendors and customers.

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Appendix A: About Our Sponsors

AMBER ROAD

Amber Road is the world's leading provider of on-demand Global Trade Management (GTM) solutions. We provide a single, on-demand platform that automates and streamlines global trade. By helping organizations to comply with country-specific trade regulations, as well as plan, execute and track global shipments, Amber Road enables goods to flow unimpeded across international borders in the most efficient, compliant and profitable way.

Our solutions automate import and export processes, provide order and shipment-level visibility, calculate duties, taxes and fees, administer preferential trade programs, ensure regulatory compliance and simplify the financing, sourcing and transporting of goods across international borders. For more info, please visit www.AmberRoad.com or email us at Solutions@AmberRoad.com.

BRAVOSOLUTION

Every company's strategic objectives are different. Supply management executives are uniquely positioned in their organization to provide a deep understanding of what drives their business' success. To harness this perspective and contribute to these distinctive objectives, sourcing executives need an exceptional solution to maximize their company's competitive advantage.

With over 60,000 procurement professionals in 40 different countries using BravoSolution's technology and services, BravoSolution offers leading software, practice innovation and expertise to ensure that supply management is aligned with their company's strategic objectives to drive business growth.

Top analysts have found that the right blend of skills, process, and technology improves a company's financial performance by 30 cents on every dollar spent. BravoSolution works with supply management to address each business's unique processes, stakeholders and goals to deliver tailored solutions across the entire supply management cycle.

Appendix A: About Our Sponsors, Continued

C.H. ROBINSON

C.H. Robinson helps companies simplify their global supply chains and understand their landed costs. To help build smarter, more competitive supply chains, skilled supply chain engineers and logistics professionals combine a deep knowledge of market conditions, practical experience, and proven processes. From local truck transportation to global supply chain management systems from produce sourcing to information services, and from consulting to logistics outsourcing, C.H. Robinson supplies a competitive advantage to companies of all sizes.

INTEGRATIONPOINT

A leading provider of global trade management solutions, Integration Point provides import and export capabilities, up-to-date regulatory information for 150+ countries and connectivity to supply chain partners and government agencies across the world. Built on a single, web-based platform, Integration Point allows organizations to manage trade programs and comply with global regulatory requirements while improving visibility and realizing savings. Integration Point provides solutions for: import/export management, supply chain security, entry validation, denied party screening, product classification, free trade agreement qualification, foreign-trade zones, and global duty deferral program management.

Contact Integration Point at www.IntegrationPoint.com or 704-576-3678.

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APPENDIX A: ABOUT OUR SPONSORS

JDA SOFTWARE GROUP, INC.

JDA® Software Group, Inc., The Supply Chain Company®, offers the broadest portfolio of supply chain, retail merchandising, store operations and all-channel commerce solutions to help companies manage the flow of goods from raw materials to finished products and into the hands of consumers. JDA's deep industry expertise and innovative cloud platform help companies optimize inventory, labor and customer service levels. As a result, JDA solutions have become the standard for the world's leading retailers, manufacturers and distributors. To learn more, visit jda.com or email info@jda.com.

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Appendix B: About Our Partner

BPE GLOBAL

Decrease risk and optimize efficiency with BPE Global. Since 2004, companies have achieved results through BPE's global trade consulting and training services. BPE's team of seasoned regulatory and operational experts has the ability to navigate the complexities of global trade compliance, supply chain management, and logistics operations. As a recognized leader in trade compliance and logistics management, BPE Global provides solutions that are customized to your company's needs.

The BPE team is made up of knowledgeable, energetic and pragmatic licensed customs brokers, each with over ten years of experience. BPE gives back to the trade community by sharing knowledge and skills through webinars, publications, trade events, and as a recognized Trade Ambassador to U.S. Customs and Border Protection.

Enabling companies to succeed in global business is our mission. Helping you achieve efficiencies and best practices in compliance is our passion. To learn more about BPE, visit www.bpeglobal.com.

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APPENDIX B: ABOUT OUR PARTNER

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Appendix C: About *American Shipper* Research

BACKGROUND

Since our first edition in May 1974, *American Shipper* has provided U.S.-based logistics practitioners with accurate, timely and actionable news and analysis. The company is widely recognized as the voice of the international transportation community.

In 2008 *American Shipper* launched its first formal, independent research initiative focused on the state of transportation management systems in the logistics service provider market. Since that time the company has published more than a dozen reports on subjects ranging from regulatory compliance to sustainability.

SCOPE

American Shipper research initiatives typically address international or global supply chain issues from a U.S.-centric point of view. The research will be most relevant to those readers managing large volumes of airfreight, containerized ocean and domestic intermodal freight. *American Shipper* readers are tasked with managing large volumes of freight moving into and out of the country so the research scope reflects those interests.

METHODOLOGY

American Shipper benchmark studies are based upon responses from a pool of approximately 30,000 readers accessible by e-mail invitation. Generally each benchmarking project is based on 200-500 qualified responses to a 25-35 question survey depending on the nature and complexity of the topic.

American Shipper reports compare readers from key market segments defined by industry vertical, company size, and other variables, in an effort to call out trends and ultimate best practices. Segments created for comparisons always consist of more than 50 responses to keep the potential margin of error to a minimum.

LIBRARY

American Shipper's complete library of research is available on our Website: AmericanShipper.com/Research.

Annual studies include:

- Global Trade Management
- U.S. Export Compliance
- U.S. Import Compliance
- International Transportation Management
- Transportation Procurement
- Transportation Settlement

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